



**STATE OF TENNESSEE  
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**July 24, 2001**

## **Investor Update**

### **STATUS OF THE BUDGET**

The General Assembly of the State of Tennessee, by Constitution and by state statutes, is required to produce a balanced budget for the ensuing fiscal year by June 30 of the current year. The General Assembly complied with the Constitution and state statutes by delivering a balanced budget that was signed by the Governor prior to June 30, 2001 (the "Approved Budget"). The Approved Budget funds program improvements required by statute, federal or judicial mandate. The budget as approved (the "Approved Budget") is not a continuing appropriation budget to a date certain before the end of fiscal year but is a true annual budget. It has been called the "Temporary Budget", but this is a misnomer.

On July 12, 2001 the General Assembly amended the Approved Budget (the "Amended Budget") and sent it to the Governor for approval. The Amended Budget includes certain additional program improvements. The engrossed bill for the Amended Budget arrived on the Governor's desk on Monday, July 16, 2001. The Governor has ten days (excluding Sundays) to consider the bill. At that time, he can (1) sign the amendment into law, (2) veto the Amended Budget or (3) allow the Amended Budget to become law without his signature (after the ten-day period).

If the Governor vetoes the bill, the General Assembly will convene on August 7, 2001 to consider overriding the veto. If the General Assembly overrides the veto, the Amended Budget becomes the final budget. To override the veto, each house must approve the amendment by a simple majority. If the General Assembly fails to override the veto, the Approved Budget becomes the final budget. The General Assembly could also revise the Amended Budget and resubmit a new budget to Governor for consideration.

At this time, we cannot predict the Governor's decision, nor that of the General Assembly should the Governor veto the Amended Budget.

## BUDGET HIGHLIGHTS

### **The Approved Budget for FY 2001-2002**

Funds essential services  
Reduces the Governor's original tax revenue estimate of \$7.95 billion by \$82.75 million  
Projects growth in tax revenue of \$187.45 million  
Recognizes Treasurer's earnings on tobacco funds of \$13 million  
Places \$289.8 million of earned tobacco Master Settlement Agreement funds into a contingent reserve for federal liabilities  
Recognizes the use of \$79 million of earned Master Settlement Agreement funds as non-recurring revenue in FY2001-2002  
Funds Program Improvements totaling \$237.8 million of which \$212.2 million are recurring and \$25.6 million are non-recurring  
Use of non-recurring revenues in FY 2001-2002 results in a projected mismatch of revenues and expenditures of \$124.4 million in FY 2002-2003, excluding growth in revenues and inflation

### **The Amended Budget for FY 2001-2002**

Funds essential services  
Reduces the Governor's original tax revenue estimate of \$7.95 billion by \$82.75 million  
Projects growth in tax revenue of \$187.45 million  
Recognizes Treasurer's earnings on tobacco funds of \$6 million  
Places \$100 million of earned tobacco Master Settlement Agreement funds into a contingent reserve for federal liabilities  
Recognizes the use of \$243.8 million of earned Master Settlement Agreement funds as non-recurring revenue in FY2001-2002  
Funds Program Improvements totaling \$373.9 million of which \$345.8 million are recurring and \$28.1 million are non-recurring  
Use of non-recurring revenues in FY 2001-2002 results in a projected mismatch of revenues and expenditures of \$212.2 million in FY 2002-2003, excluding growth in revenues and inflation

## CURRENT GENERAL OBLIGATION DEBT RATINGS

As of July 24, 2001, the ratings are:

### **Long-Term Debt**

Standard & Poor's: AA with a negative outlook  
Moody's: Aa1 and Credit Watch with negative implications  
Fitch: AAA

The State Funding Board will meet with Moody's and Fitch on July 31, 2001 to discuss information relating to future ratings from the two firms.

### **Commercial Paper Ratings**

Standard & Poor's: A-1+

Moody's: P-1

## **DEBT STATISTICS**

Current Long-Term Debt Outstanding:	
Total Outstanding Debt:	\$1,067,695,000
Less: Facilities Revolving Fund	151,851,060
Less: Self-Supporting Debt:	<u>17,135,000</u>
Net Debt Outstanding:	<u>\$ 898,708,940</u>

Current Commercial Paper Outstanding:     \$ 250,000,000

Authorized and unissued long-term debt (excluding debt for highways) as of June 30, 2001, excluding the bond bills approved by the General Assembly on July 12, 2001: \$637,701,173.

The State's debt ratios remain strong.

Net General Long-Term Debt per Capita:	\$189.96
Net Debt as a percent of 1999 Personal Income	1.147%
General Long-Term Debt Service to Total Expenditures	.91%

Source: State of Tennessee Comprehensive Annual Financial Report for FY 2000, pp. 182-183.

## **LEGISLATION AFFECTING DEBT**

Chapter No. 264 of the Public Acts of 2001 was approved by the General Assembly on May 14, 2001 and signed by the Governor on May 22, 2001. The Act provides for the appropriation of a sum sufficient for payment of debt service on a continuing basis until all debt is extinguished.

The bill authorizing the issuance of additional general obligation debt, SB1915/HB1944, was passed by the General Assembly on July 12, 2001. It remains under consideration by the Governor. Like the Amended Budget, the Governor must sign or veto the bill by July 26, 2001. It authorizes the issuance of \$19,300,000 in debt for capital maintenance, \$61,300,000 for the Facilities Revolving Fund and \$80,000,000 for highway purposes. The State has not issued debt for highways since 1977, and there is no intent to do so at the present time.

HB1244/SB1356 also was passed by the General Assembly on July 12, 2001 and awaits the Governor's signature. It authorizes debt in the amount of \$2,000,000 for cabins at David Crockett State Park. In addition to funds generated by the operation of the park, Lawrence County and/or the City of Lawrenceburg have agreed to cover any costs of the project not covered by operating revenue.

## **FUTURE FINANCING PLANS**

The State plans to sell up to \$150,000,000 in long-term general obligation debt in late August 2001. The proceeds of this issue will fund the redemption of a similar amount of the outstanding commercial paper as it becomes due. The State will continue to issue new commercial paper from time to time throughout the year. The maximum amount of commercial that can be outstanding at any one time is \$250,000,000.

## **ADDITIONAL SOURCES OF INFORMATION**

Visit these websites:

Questions on Debt and Economic Information <http://www.comptroller.state.tn.us/>  
Annual Financial Information: <http://www.state.tn.us/finance/act/cafr.html>

If you did not receive this notice by email and would like to have your name placed on our Investor Update mailing list, please email or send your address to:

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